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UNCLAS SECTION 01 OF 02 KAPALA 000518

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STATE FOR EB/IFD/ODF  
TREASURY FOR S DIRECTOR, WORLD BANK

SIPDIS

SENSITIVE

EO. 12958: N/A  
TAGS: [ECON](#) [EFIN](#) [ENRG](#) [ETRD](#) [PGOV](#) [UG](#)  
SUBJECT: UGANDA: QUESTIONABLE WORLD BANK TENDER DECISION AFFECTS US  
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KAMPALA 03260518 001.12 OF 002

¶1. (SBU) SUMMARY. The Government of Uganda GOU) conducted a tender for 50 megawatts of thermal generators to help alleviate the current gap in power brought on by diminished hydroelectric power. and moved to consider the bid ranked second. After reviewing tender bids, including additional supporting documents, it was determined by the World Bank (WB) that Mantrac/Unatrak, the local representative for U.S. firm Caterpillar (CAT), lacked adequate prior experience operating thermal generator power projects. The GOU tender review committee has stated it is satisfied Mantrac/Unatrak possesses the requisite prior experience. END SUMMARY

¶2. (SBU) According to senior Minister of Energy officials, and a representative from the tender review board conducted by Electricity Transmission Company Ltd (UETCL), the Mantrac/Unatrak bid was the top-rated proposal and the lowest priced per kilowatt hour. Minister of Energy, Daudi Migereko, told Emboff that the GOU bid rankings were submitted to the WB in Washington D.C. Bank officials subsequently wanted clarification on Unatrak/Mantrac's prior experience on thermal generator projects to determine if prior experience was lease/BOO, supply and installation, or delivery only.

¶3. (SBU) The Bank directed UETCL to pose these questions to Unatrak/Mantrac. UETCL sent the questions to Mantrac in Kampala on September 28, 2006 and Mantrac responded on September 29. The UETCL tender board was satisfied with Unatrak/Mantrac's response and determined it had adequate experience. Uganda's office of the Solicitor General, which performs legal review on these tenders, also reviewed the WB's questions and Unatrak/Mantrac's responses. The Solicitor General office agreed with the Ugandan tender review board that Mantrac demonstrated adequate prior experience with thermal generators. It forwarded these conclusions to Bank officials in Washington D.C.

¶4. (SBU) The review by the WB in Washington D.C. lasted from September 2006 to March 2007, despite the emergency nature of the project to help alleviate the ongoing energy crisis. World Bank headquarters told the GOU tender review board that it was not satisfied that Unatrak/Mantrac had demonstrated it had adequate prior experience. The WB would not approve a "no objection" letter that would allow the project to be awarded to Unatrak/Mantrac.

¶5. (SBU) On March 15, Energy Minister Migereko said to Emboff that the tender review board recognized that this bid for Caterpillar

equipment was backed by a major U.S. firm. Ugandan officials were certain that the appropriate prior experience existed, and the GOU review board expected that the WB review would concur with their assessment after receiving the supporting documents from Unatrac/Mantrac.

¶6. (SBU) The GOU is concerned that selecting another proposal would result in higher per kilowatt rates and therefore cost the people of Uganda higher prices for power. The Unatrac/Mantrac bid was three cents per kilowatt hour lower than Aggrekko's. The increased prices could create domestic political problems in Uganda because electricity tariffs have been raised multiple times since the beginning of the energy crisis and the Ugandan public is very sensitive to contracting irregularities. The Ugandan public and business community have frequently vented their frustration over the high cost of energy in Uganda, which is discouraging investors. A few firms in Uganda have had to close during the past year because of increased energy costs.

¶7. (SBU) In early March, the Bank informed the tender board that it could proceed with preliminary discussions with Aggrekko, the second ranked bid submission. Aggrekko currently operates 50 megawatts of thermal generators in Kampala. The Norwegian firm Jacobsen was the third bidder. Officials in the Ministry of Energy responded that this move would result in higher energy costs for Ugandans and created a monopoly if Aggrekko was awarded the contract. The Bank told the GOU that monopoly concerns were not included in the original bid tender and could not be a factor for consideration.

¶8. (SBU) COMMENT: This tender has been a long process for Uganda, which hoped to have the 50 megawatts of power awarded before the end of 2006. Uganda still suffers power load shedding and although the Ministry of Energy has been proactive in identify alternative sources of power, the country desperately needs the gap filler solution provided by thermal generators. It is unclear why the WB review found that Unatrac/Mantrac lacked the prior experience to operate a 50 megawatt thermal generator project, but it does not appear to be a lack of support by the tender review board in Uganda.

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